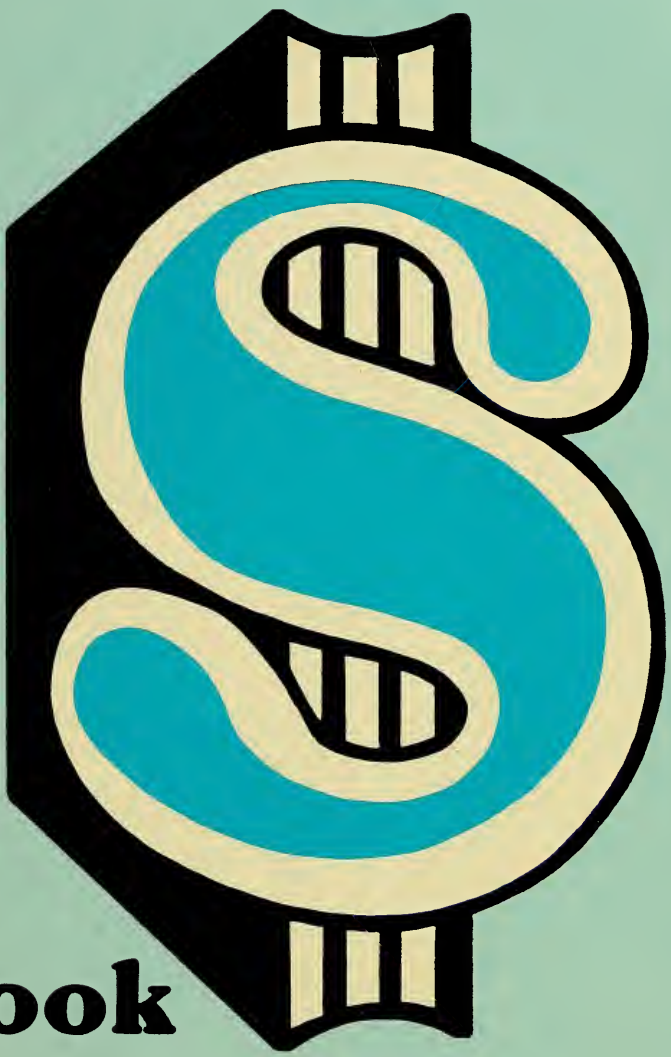

Handbook for Connecticut Town Treasurers

INSTITUTE OF PUBLIC SERVICE
THE UNIVERSITY OF CONNECTICUT

Handbook for Connecticut Town Treasurers

REVISED EDITION

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Foreword

Duties and responsibilities of town treasurers in Connecticut towns and cities have grown continuously since the inception of the office in 1733. The purpose of this Handbook is to provide present-day town treasurers with a guide to the General Statutes which currently regulate their duties.

Experienced officials will find the Handbook a useful reference to the General Statutes, Revision of 1958 and subsequent amendments, while newly-elected officials will find it helpful in acquiring a working knowledge of their duties.

This booklet is intended as a supplement to the General Statutes and not a substitute for them. Where towns are operating under special acts or charters, these should also be consulted before taking action on any of the powers listed in this Handbook.

Information pertinent to the town treasurers was originally published as the final chapter in the first edition of the *Handbook for Connecticut Town Clerks and Town Treasurers*. Publication of a separate *Handbook for Town Treasurers* in 1959 recognized the importance of the position of treasurer on its own merits. This revision brings that edition current with the 1984 session of the General Assembly.

The Institute of Public Service assumes full responsibility for the text and welcomes any corrections or suggestions that might improve subsequent editions.

Beldon H. Schaffer, *Director*
Institute of Public Service

September, 1984

Introduction

Town treasurers have been elected in Connecticut towns since 1733. In towns operating under the General Statutes, the town treasurer is elected every two years in odd-numbered years. The treasurer also serves as agent of the town deposit fund. In some of the smaller towns of the state some town clerks are also elected town treasurer. At the present time, in approximately one-fifth of the towns the office of town clerk and town treasurer are held by the same individual. This practice has declined in recent years, however, as the duties and responsibilities of each office have become more complex. The treasurer's compensation is fixed by the town; usually he or she is paid a specified sum for full-time or part-time service.

The treasurer is the town's banker who is responsible for receiving all money belonging to the town and for paying out money on order of proper authorities. In addition, the treasurer is given a variety of specialized duties. Treasurers operate an extensive investment program for the town, income from which contributes substantially to town revenues.

The general and specific duties imposed by the General Statutes are described in the following pages. In towns where special charters or special acts apply these should always be consulted with regard to the duties of town officials.

Office of the Town Treasurer

Selection. Each town, unless otherwise provided by law, must elect a town treasurer in the odd-numbered years, for a term of two years. The treasurer holds office from the date of election until a successor is elected and has qualified (S.9-189).*

An elected treasurer must be an elector of the municipality, and if for any reason he or she ceases to be an elector, the office becomes vacant (S.9-186). The town treasurer may not hold the office of selectman or of tax collector during the same official term (S.9-210).

A vacancy in the office of town treasurer is filled at the next town election or at a special election called for this purpose in accordance with Section 9-164, but, until so filled, the vacancy is filled by the selectmen (S.9-220).

Removal from office. If a written complaint is made to the state's attorney for any judicial district that a town treasurer of any town in the judicial district is guilty of misconduct, willful and material neglect of duty or incompetence in the conduct of the office, the state's attorney must investigate the charges. If in the opinion of the state's attorney the evidence obtained warrants action, a written statement of charges and a citation may be prepared commanding the treasurer to appear before a superior court judge and show cause why he or she should not be removed from office. If after a full hearing, the judge orders the treasurer removed, the office becomes vacant upon service of a copy of the judge's order. The vacancy is filled at once in the manner provided by section 9-220 (S.7-81).

Bond. The town treasurer must be bonded for the faithful performance of the duties for the period of his or her term of office. The bond is a sum fixed by the selectmen. The bond must be procured from a surety company of good standing, approved by the selectmen. The premium on the bond is paid by the town treasurer upon order of the selectmen (S.7-12).

Whenever an official of the town is the repository or custodian of any funds in which the state may have an interest and is bonded for good and faithful performance, the bond must include and run to the state to the extent of such interest and any additional premium is to be paid by the town (S.7-463).

Treasurer *ex officio* of funds. The town treasurer is *ex officio*, treasurer of the town deposit fund and other town trust funds (S.7-80).

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*Numbers in parentheses preceded by "S" refer to sections of the General Statutes of Connecticut, Revision of 1958, Revised to 1983.

Treasurer of school district. The town treasurer has the powers and duties of the treasurer of a school district when the schools are under town management except as they are rendered unnecessary by other acts (S.10-243).

General Duties

Receipt and disbursement of funds. The town treasurer receives all money belonging to the town and pays it out on order of proper authorities. A record is kept of all money received and when it was received and of all money paid out, when, for what purpose and upon whose authority it was paid. The treasurer may direct a national or state bank and trust company located in the state to pay town obligations on order of the proper town authority and authorize the bank to debit the town's accounts for these payments (S.7-80).

Town orders. The selectmen draw orders on the treasurer for the payment of claims against the town, and they must make a sworn report to the treasurer of the amount, number and date of each town order drawn by them at the end of each month (S.7-12). All orders drawn by the selectmen must be signed by a majority of the selectmen of the town, and no order not so signed may be paid by the treasurer (S.7-83). Selectmen's orders must be in duplicate or upon blank orders which are attached to a blank form of stub (S.7-13).

The town treasurer must keep a record of all town orders presented for payment, whether payment is made or not. The record must show to whom the orders were given and the amounts, dates and numbers thereof. The treasurer must make a sworn report to the town at its annual town meeting of all outstanding town orders, with the names of the persons to whom they were given and the amount, date and number thereof and the interest thereon (S.7-84).

The treasurer may at any time give notice to all persons holding orders to present them for payment on or before a day fixed in the notice, which must be at least thirty days after the date thereof. The notice must be advertised for three successive weeks in a newspaper printed or having circulation in the town and must be posted on the signposts. If any person holding an order fails to present it for payment on or before the day fixed in the notice, no interest may be allowed on it after such day (S.7-85).

Deposit of funds. The treasurer may request the selectmen to designate one or more banks as depositories for the whole or any part of the town funds in his custody. The selectmen may do this in writing, and also specify the public fund or funds and the maximum amount thereof which may be deposited in each depository. The selectmen may at any time revoke or

change the designation. If, within thirty days after the request, the selectmen have not designated a depository, the treasurer is authorized within the limits of section 7-401 to deposit public funds in any bank (S.7-401) (b).

In no case may the deposit or deposits of public funds by any person in any one bank exceed at any one time in the aggregate 75 percent of the capital, surplus and undivided profits of the bank. All deposits must be in the name of the town or in the official name of the fund or trustee. Whatever interest or pecuniary consideration is allowed by any bank for or upon any deposit of public funds accrues and belongs to the town or to the corpus of the fund held in trust (S.7-401) (b).

The treasurer and the surety on his bond are relieved of responsibility for public funds by failure, insolvency, receivership, forced closing or restricted operation of a bank and by a bank holiday or banking emergency proclaimed under federal or state law, provided state law has in all other respects been complied with. This provision, however, does not relieve the treasurer or his surety from the obligation to account for the public funds so deposited when they can be obtained from the depository (S.7-401) (c).

Any public official of any municipality is authorized to deposit any funds or moneys in his or her hands belonging to the municipality in any qualified public depository as defined by section 36-382. These deposits and payments may be made only in his or her name as the official or trustee or in the name of the municipality to which the money belongs. The deposit in any one qualified depository may not exceed at any one time 75 percent of the capital surplus and undivided profits of the qualified depository. Any interest or other pecuniary consideration allowed on these deposits must accrue to the municipality (S.7-402).

Any municipality which holds any trust fund under the provisions of sections 7-148 or 11-20 may by vote of its legislative body deposit these funds in a custodian account with a trust company which has been designated a town depository. It may prescribe by ordinance the method of supervision of the investment and reinvestment of these funds (S.7-403).

Accounts and records. The treasurer must keep a record of all moneys received and when received and of all moneys paid out, when, for what purpose, and upon whose authority. This record must always be open for inspection by any taxpayer in the town. It must also be presented to each annual town meeting, after being sworn to by the treasurer and adjusted by the selectmen (S.7-80) (a).

The treasurer must use the form of treasurer's cash book prescribed by the Secretary of the Office of Policy and Management, except when the accounting system in use in the town can be satisfactorily shown to the commissioner to be sufficiently complete and to include the necessary detail. The Secretary of the Office of Policy and Management shall furnish sample book forms of the treasurer's cash book to be used for the accounting system of the towns, without expense to the town (S.7-399a). The board of finance of

the town must prescribe the method by which and the place where all records and books of the town are kept (S.7-344). Any form of treasurer's cash book prescribed by a town board of finance is subject to the approval of the Secretary of the Office of Policy and Management (S.7-399a).

Expenditures before adoption of budgets. When appropriations have not been made by a municipality before the beginning of any fiscal year, the disbursing officers may make necessary expenditures during the period of ninety days after the beginning of such year. These must be made on proper warrants and for purposes and in amounts authorized by the appropriating body or by the board of finance or other budget-making authority. When annual appropriations have not been made by such municipality before the end of a ninety-day period, the disbursing officers may make necessary expenditures during successive monthly periods in such year on proper warrants for purposes and in amounts authorized by the appropriating body or by the board of finance or other budget-making authority within the limits of appropriations specified in budgetary line items for the previous fiscal year. For this purpose, necessary borrowing may be authorized by resolution of the budget-making authority, provided all such borrowing shall mature and be payable not later than the end of the fiscal year for which such borrowings are made. Any notes so authorized may be issued and sold in the manner provided by such resolution. Such expenditures authorized by this section and interest costs and other expenses incidental to any such borrowing shall constitute the first charges against appropriations for the fiscal year in which they are made (S.7-405).

Returns concerning finances to be under oath. All reports of returns, concerning public finances or the receipt or disbursement of public funds, made by town treasurers regularly in the line of their official duties to any body, meeting or committee acting in a public capacity must be verified by oath. Any person who verifies any return or report known to them to be false or which intentionally suppresses or conceals the truth is subject to the penalty for false statement (S.7-398).

Investment of funds. The treasurer may invest temporarily in obligations of the United States of America. The treasurer may also invest in securities of federal agencies which issue their own securities. Examples of permissible investments would be the joint and individual securities of the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Savings and Loan Insurance Corporation, the United States Postal Service, federal home loan banks, federal land banks, federal intermediate credit banks, the Central Bank For Cooperatives and the Tennessee Valley Authority (P.A. 83-442).

Particular Duties

Animals. Constables may sell any animals of an unknown owner; and the surplus fund, after the town clerk's office has been paid for the entry of the marks of such animals, must be turned over to the town treasurer. The surplus is to be kept for the owner for one year, otherwise it belongs to the town (S.22-371). The officials of any borough, fire district or other subdivision of the town having authority to lay taxes shall furnish to the treasurer such information upon the request of the treasurer as may be required to make and complete this report (S.12-14).

Cemetery funds. A town may accept a legacy intended as a provision for the enlargement, improvement or repair of a cemetery (S.19a-303). This donation is, unless otherwise directed by the donor, paid to the treasurer. The treasurer pays the income from this fund to the person the selectmen annually appoints to receive and expend it (S.19a-304). The state treasurer pays over accrued interest from any cemetery funds received and invested by him to the treasurer of the town in which the cemetery is located, and the interest is expended in the same manner as the above donations to the town (S.19a-300).

Dogs. Specified dog license fees must be paid by the town clerk to the town treasurer. The town treasurer must keep a separate dog fund account of all fees received from the town clerk and all receipts and expenditures from the dog warden under Chapter 435 of the General Statutes. The town treasurer must pay to the State Treasurer on September 1 of each year 50 percent of all moneys received from the sale of licenses prior to July 1 and include with such payment a statement of the number of licenses issued during the year. All moneys received from licenses sold after June 30 and all moneys received from the dog warden and all license fees returned to the town by the State Treasurer under the Provisions of Section 22-348 must be kept by the town treasurer in the separate dog fund account. The treasurer must send, on the ensuing September 1, 50 percent of all license fees in such account to the State Treasurer. The town treasurer of any town or city which is a part of a regional dog pound district must transmit to the State Treasurer all of the license fees. All payments to the State Treasurer must be accompanied by an account thereof on a form prescribed by him with a copy to the Commissioner. All funds in the dog fund account, except such funds as are to be sent to the state treasurer, shall be only used for the compensation of wardens, license certificates, tags, the construction and maintenance of dog pounds, the detention and care of impounded dogs in accordance with section 22-336, warden's equipment, dog supplies and such veterinary fees as are provided for by law or regulations and shall not be used for any other purpose except upon written approval of the commissioner each year. No

fees paid into the treasury of the town for tags or licenses for dogs shall be paid back to the persons from whom they were collected (S.22-347(S.6)).

All fees received by the State Treasurer under Section 22-347 during the year ending June 30 and remaining unexpended on August 1 following shall be returned, after deduction of the amount allocated to The University of Connecticut, to the towns which paid the same upon certification by the Commissioner that the town has complied with the provisions of Chapter 435 and the regulations adopted under it (S.22-348).

Education. The town treasurer has all the powers and duties of the treasurer of a school district (S.10-243).

The expenses of maintaining public schools which are incurred with the approval of the town board of education are paid by the town treasurer on orders drawn by the board. Such orders may be signed on behalf of the board by anyone that it, by by-law or special vote certified by the secretary to the town treasurer, provides. In the absence of such by-law or special direction orders are signed by the secretary of the board (S.10-248).

If any town has received a permanent fund for the support of a school or schools, the town treasurer has charge of it. He or she must keep a separate account of each fund, and the income must be held subject to the order of the town board of education (S.10-247; S.10-258).

No board of education shall be required to provide school accommodations for any child whose legal residence is in another state unless the board has entered into an agreement concerning the provision of educational services and programs with the state or local educational agency of such state responsible for educating the child, the facility where the child is placed or the parent or guardian placing such child, and provided that a bond, in a sum equal to the tuition payable for such child, issued by a surety company authorized to do business in this state and conditioned upon the payment of tuition at the rate of the per capita expense of tuition in such school, shall be filed with the treasurer of the school district in which such child is attending school by the parent or guardian or other person or organization in control of such child (S.10-253c).

State aid to the town for educational purposes is paid by the state comptroller to the town treasurer. The amount due each town pursuant to the provisions of subsection (a) of this section shall be paid by the comptroller, upon certification of the commissioner of education, to the treasurer of each town entitled to such aid in installments as follows: Twenty-five per cent of the estimated grant in October, twenty-five percent of the grant in January, and the balance of the actual grant in April of the following year, provided, if as a result of changes in data elements required pursuant to this section for the purposes of calculating general state aid to towns, funds are necessary beyond the appropriations level, the general assembly may, through action of the finance advisory committee or otherwise, appropriate sufficient funds for that year or may appropriate funds in the next fiscal year,

and provided further, if as a result of such data changes, a grant reduction to any town is required, a reduction shall be made at the direction of the town in the current fiscal year or in the subsequent fiscal year as a reduction to that town's general state aid (P.A. 83-490).

Each local treasurer or other person having custody of amounts deducted under this chapter by a board of education employer shall transmit such amounts to the board so that they are received by the board no later than the last business day of the month. The board shall be entitled to receive from an employer interest at the rate of nine per cent per year from the due date on all amounts deducted by such employer and not received by said board within one calendar month of the due date for the receipt of such amounts. Such interest shall be treated as an amount earned by assets of the system. All amounts received by the board under this section shall be forwarded to the state treasurer (S.10-183n(b)(c).

Ejected Tenant. Whenever the possessions and personal effects of a defendant are set out on the sidewalk, street or highway, and are not immedicately removed by the defendant, the chief executive officer of the town shall remove and store the same. Such removal and storage shall be at the expense of the defendant. If such possessions and effects are not called for by the defendant and the expense of such removal and storage is not paid to the chief executive officer within fifteen days after such eviction, the chief executive officer shall sell the same at public auction, after using reasonable efforts to locate and notify the defendant of such sale and after posting notice of such sale for one week on the public signpost nearest to the place where the eviction was made. The chief executive officer shall deliver to the defendant the net proceeds of such sale, if any, after deducting a reasonable charge for removal and storage of such possessions and effects. If the defendant does not demand the net proceeds within thirty days after such sale, the chief executive officer shall turn over the net proceeds of the sale to the town treasury (S.52-549).

Licensing of ferrets. Each owner or keeper of a ferret must obtain a license from the office of the town clerk in the town in which the ferret is owned or kept. The fee for such license shall be one dollar. The town clerk shall forward a copy of such license to the commissioner (S.26-44).

Gas and electric plants. The board of commissioners of any municipal electric light or gas plant must pay over to the town treasurer all moneys collected in its department and the receipts from the sale of gas and electricity (S.7-216; S.7-217).

Gasoline station. Any person applying to specified local authorities for a certificate of approval of the location of a gasoline station shall pay a fee of ten dollars, together with the costs of publication and expenses of a hearing, to the town treasurer (S.14-322).

Libraries. The officer designated by the directors or trustees of any public library shall draw his or her order on the town treasurer for such sums as may be necessary to pay the expenses of the public library, but such sums shall not exceed in the aggregate the amount appropriated by the town for the library (S.11-22). All moneys collected or received in payment for library service contracted for and rendered must be placed in the town treasury to the credit of the library fund. The moneys in the fund must be kept separate from other moneys and may be withdrawn only by authorized officials upon authenticated vouchers of the directors or trustees of the public library which provides the services (S.11-27).

Motor vehicles. Any person applying to specified local authorities for a certificate of approval of the location of a business for dealing in or repairing of motor vehicles must pay a fee of $10.00, together with the costs of publication and expenses of a hearing, to the town treasurer (S.14-55).

Municipal bonds. Any municipality may provide for the destruction of its bonds, notes or bond coupons after they have been paid or cancelled. The treasurer may destroy these or may authorize a bank or trust company to do it. If the destruction is by the treasurer, a certificate of destruction signed by him and by a witness must be filed with the municipal clerk (S.7-377a).

Municipal reserve fund. All moneys accumulated in the municipal reserve fund, together with all interest that accrues, must be deposited in a separate bank account by the treasurer (S.7-361). The budget-making authority may, from time to time, direct the treasurer to invest a portion of the fund in securities which are legal investments for savings banks. However, not less than 50 percent of the total invested must be invested in the stock or bonds or interest-bearing notes or obligations of the United States or those for which the faith of the United States is pledged to provide for the payment of the principal and interest, including bonds of the District of Columbia (S.7-362). The treasurer must annually submit a complete and detailed report of the condition of the fund to the budget-making authority, and the report shall be made a part of the annual report of the municipality (S.7-363).

Park and recreation fund. Any municipality by vote of its legislative body may establish a park and recreation capital and nonrecurring expense fund. Deposits into this fund include (1) all moneys received as gifts for park or recreation purposes; (2) all moneys received as governmental grants or loans for park or recreation purposes; (3) all moneys received from the sale of conveyance of land used for these purposes; and (4) moneys appropriated to the fund. This fund is in the custody of the municipal treasurer. The fund may be invested in securities in which public funds may lawfully be invested, and income from investments is paid into the fund. The treasurer must make an annual report of the condition of the fund to the recreation authority and municipal legislative body (S.7-129a).

Penalties. There is a fine of not more than $100.00 for payment of any town order not signed by a majority of the selectmen (S.7-83). If a treasurer swears to a return or report which he or she knows to be false or which intentionally suppresses or conceals the truth, the treasurer is subject to the penalty for false statement (S.7-398). Anyone who fails to use the proper treasurer's cash book shall forfeit to the state not less than $10.00 nor more than $25.00 (S.7-399). There shall be a forfeiture to the town of $100 for failure to examine monthly the books of the tax collector or to preserve or deliver lists of names of taxpayers to the governing body of the municipality (S.12-147; S.12-149; S.12-150).

Retirement. In towns which participate in the old age and survivors' insurance system, the treasurer is to make the deductions from the wages of the employees as directed by the legislative body and send them to the state retirement commission with an equal amount appropriated by the town (S.7-456).

Sewerage fund. The proceeds from the sale of bonds or notes for a municipal sewerage system must be delivered to the treasurer and kept in accounts separate from other funds of the town (S.7-260). All benefit assessments and charges for connection with or use of the sewerage system, whether pledged for payment of bonds or notes or otherwise, must be kept separate from other funds of the town and must be used for the sewerage system and for no other purpose (S.7-267).

Shellfish grounds. Specified taxes and rentals on grounds in the towns of West Haven and Westport and in the city of New Haven and on franchises in the city of Milford shall be paid to the treasurer (S.26-257). No oyster ground committee or selectmen shall grant any designation of ground for the planting or cultivation of oysters until the applicant has shown them a receipt from the town treasurer acknowledging that the money for the designation has been deposited with the treasurer pending the action of the committee or selectmen. The town treasurer may give this receipt and, if the designation is granted, may retain the money for the use of the town. If the application is denied, he shall, on demand of the applicant, refund the payment (S.26-242).

Superintendent of highways and bridges. All bills against the town relating to maintenance and repair of highways, bridges and sidewalks and the building and opening of new highways, bridges and sidewalks must be certified by the superintendent, approved by the selectmen, and thereafter paid by the town treasurer upon requisition of the superintendent (S.13a-10). The superintendent's salary shall be paid by the treasurer out of the general funds upon requisition by the superintendent, countersigned by the selectmen (S.13a-9).

Taxation. The tax collector shall pay to the treasurer on or before the tenth day of each month all moneys collected previous to the first day of that month in taxes, interest, penalties and lien fees. The tax collector shall also deliver to the treasurer on or before the tenth of each month a complete list of the names of the persons from whom the moneys were collected stating the amount of principal, interest, penalties, and lien fees paid by each person and the time of the payment (S.12-147). The tax collector may use names and numbers or numbers only to identify the persons from whom moneys are collected each month in accordance with the provisions of section 12-147 (S.12-148). If the collector retains any moneys or lists, the treasurer shall forthwith inform the selectmen, in writing, of this fact (S.12-147). The treasurer shall preserve all lists delivered under section 12-147 until the next annual audit and settlement of his accounts with the town and then deliver the lists to the selectmen (S.12-149). The treasurer of towns specified in section 12-151 must examine the tax collector's books provided by that section monthly (S.12-147).

The selectmen shall draw an order upon the treasurer for the refund of taxes on personal property assessed in more than one town (S.12-126) or erroneously collected from veterans and their relatives (S.12-128) or for a refund of excess payments (S.12-129). The application for refund must be made within six years of the date of payment (S.12-128), (S.12-129). If, after the payment of any tax in conformity with the provisions of the section relating to jeopardy collection of taxes, it is found that the amount so paid is in excess of the amount which would have been paid on the tax due date or after appeal to the courts, the excess paid must be returned to the taxpayer upon written application to the treasurer. The written application must contain a recital of the facts, shown the amount of rebate to which the applicant believes he or she is entitled, be approved by the tax collector, and be made within the period of one year from the date of the definite determination of the tax (S.12-163).

The treasurer pays the compensation of appraisers of real estate liened for taxes and being foreclosed upon certification of the amounts of compensation by the clerk of the superior court. (S.12-184).

Trustee. The town treasurer acts as trustee whenever the trustee of any trust for the use or benefit of the town or citizens of the town dies, becomes incapacitated, resigns, or refuses to act and no provision is made for such contingency by the instrument creating the trust. When a treasurer becomes such a trustee, the annual report must include a detailed report of the account, including a list of securities on hand, the price and date of purchase of all securities purchased since the last statement, the amount, date and source of each item of income received, and the names of all banks and depositories where such trust money is deposited (S.45-85).

Unclaimed perishable property. Under specified conditions, unclaimed perishable property may be sold at auction by the sheriff or a deputy sheriff. The proceeds of the sale, after deductions for the expenses of the sale and charges for which they may be liable, shall be deposited with the treasurer who shall hold the money subject to the provisions of Part III of Chapter 32 of the General Statutes (S.50-1).

Waterworks funds. The treasurer is the custodian of the funds derived from a municipal water system and must give bond to the satisfaction of the legislative body of the town for the faithful discharge of his duties. A separate account must be kept for these funds and for their disposition. The account must be audited annually by a competent auditor, and the report of the audit must be open to public inspection (S.7-240).

Borrowing and Debt Administration

Municipalities usually engage in two types of borrowing - long-term and short-term. Long-term borrowing involves the issuing of bonds to finance projects which cannot be paid for from current revenue. Short-term borrowing, for periods of one year or less, may be necessary to acquire funds in anticipation of taxes, for operating emergencies not budgeted for, or in anticipation of issuing bonds.

LONG-TERM BORROWING

The ability to spread large and unusual expenditures over a long period by borrowing is a valuable governmental asset when used cautiously and prudently. However, injudicious use of the borrowing power may result in excessive cost of projects and exhausting of credit. Legal restrictions imposed on towns alone are not sufficient to insure good credit and economical borrowing; they are not a substitute for local responsibility for sound debt policy. Several factors influence debt policy -the justifiable purposes of borrowing, limitations on the amount of borrowing, choice of debt form, and the length of loans.

Purposes of Borrowing. Sound debt policy dictates that only certain types of projects be financed by borrowing. Self-supporting enterprises may justifiably be financed by borrowing provided the debt is amortized before the project becomes obsolete. Borrowing is justified for projects which are large and costly, which are not frequently recurring, and which have long utility. Again, however, payment should not exceed the useful life of the project.

Extensive expenditures occasioned by such emergencies as natural disasters may have to be spread over a long period. Capital expenditures which are steadily recurrent should be met from current funds. Equipment replacement and routine extension and reconstruction of facilities, particularly short-lived items, are examples of the type of expenditure for which there should be no borrowing.

Limitations of Borrowing. A town's borrowing is limited by the statutory restriction imposed by the state and, within that restriction, by the town's ability, current and future, to meet operating expenses and pay for capital expenditures. A town and the municipalities coterminous with or within it may not incur bonded indebtedness in any of the following classes which will cause the total indebtedness in that class to exceed —

(1) all debt other than debt for urban renewal projects, sewers, and school building projects as defined in Section 10-289, 2¼ times their annual receipts from taxation for the most recent fiscal year next preceding the date of issue;

(2) debt for urban renewal projects, 3¼ times annual tax receipts (urban renewal project includes any project authorized under Title 8, the bonds for which are not otherwise, by general statute or special act, excluded from the computation of aggregate indebtedness or borrowing capacity);

(3) debt for sewers, 3¾ times annual tax receipts;

(4) debt for school building projects as defined in Section 10-289, 4½ times annual tax receipts;

(5) total debt including classes (1), (2), (3), and (4) above, 7 times annual tax receipts (S.7-374) (S.12-24C).

In computing annual receipts from taxation the following shall be included as receipts - interest, penalties, late payment of taxes and payments made by the state to the town and other municipalities within its boundaries under sections 12-24a and 12-129d (S.7-374).

In computing aggregate indebtedness the following are excluded -

(1) bonds, notes and other intangible assets placed in the sinking funds of the town and its municipalities (S.7-374);

(2) bonds, notes or other evidences of indebtedness issued in anticipation of taxes (S.7-374);

(3) bonds, notes or other evidences of indebtedness issued for the supply of water, gas, or electricity, for the construction of subways for cables, wires, and pipes, for construction of underground conduits for cables, wires, and pipes, and for two or more of such purposes (S.7-374);

(4) bonds, notes or other evidences of indebtedness issued in anticipation of the receipt of proceeds from assessments levied on property benefited by any public improvements (S.7-374);

(5) bonds, notes or other evidences of indebtedness issued in anticipa-

tion of the receipt of proceeds from any state or federal grant for which the town or municipality has received a written commitment or from a contract with the state, a state agency or another municipality providing for the reimbursement of capital costs but only to the extent such indebtedness can be paid from such proceeds (S.7-374);

(6) revenue bonds not bearing the full faith and credit of the municipality when issued by a municipal housing authority (S.8-52) and revenue bonds to be retired solely by sewer system use charges when issued to acquire, construct and operate a sewerage system (S.7-265);

(7) bonds issued to finance conversion to the uniform fiscal year (S.7-384).

Nothing in Section 7-374 may operate to reduce the debt limit of any town or municipality below that in effect on June 27, 1963 (S.7-374a).

Sound debt policy dictates that a realistic limit, somewhere below the statutory limitation, be determined. Debt-paying capacity must be gauged by the amount and quantity of a community's resources and by its ability to draw on these resources for payment. The statutory limitation suggests one measure of debt-paying capacity — ratio of debt to average annual tax receipts. Another measure is per capita debt. Any measure of debt-paying capacity, however, must be used in conjunction with other data about community resources and in comparison with other cities of general similar size and type.

Types of Borrowing. The usual method of long-term borrowing used by government is the issuing of bonds. Connecticut law requires that bonds sold by municipalities must be serial bonds maturing in substantially equal annual installments; no installment payable in any year may be less than the amount of any installment in any subsequent year (S.7-371).

Bonds may be general obligation bonds, special assessment bonds, or revenue bonds. General obligation bonds bear the full faith and credit of the issuing government and must ultimately be redeemed from general fund revenue. Special assessment bonds are issued against funds to be collected by special charges liened against the property owners who receive special benefit from improvements. Revenue bonds are issued to finance income-producing enterprises and are paid, both principal and interest, from the earnings of the enterprise.

There are also two types of serial bonds depending upon the way in which the principal is retired. One type of serial bond provides for equal annual payments of principal, so that total interest and principal payments decline as the debt is paid. The other type provides for equal annual payments of interest and principal combined, so that retirement of principal is less in the early years when interest payments are highest. The first type of serial bonds is the one commonly used by Connecticut municipalities, since the general statutes require that bonds must mature in substantially equal installments. However, under Section 7-263 bonds issued for sewer construction are not so restricted.

The choice of the type of bonds to be issued depends upon the town's debt structure and the type of improvements being financed. General obligation borrowing should be carefully scheduled to avoid erratic fluctuations in the amount budgeted for debt service and to provide that annual debt service charges for each issue will decrease steadily to allow for later borrowing without pyramiding debt service costs.

Length of Loans. With a minor exception in connection with sewer bonds Connecticut municipalities may not issue general obligation bonds for longer than a twenty-year period. Payments must begin not later than two years from the date of issue (S.7-371); S.7-263). Section 7-378a allows municipalities to renew temporary bond anticipation notes for as much as four years under certain specified conditions. Bonds for certain revenue-producing projects may be issued for a twenty-five or thirty-year term (S.7-206; S.7-217; S.7-256; S.7-263).

Issuing Bonds. Boards of finance and the treasurer must take an active interest in any discussion of issuance of bonds. Ultimately bonds must be redeemed from funds which are a part of subsequent annual budgets and hence will indirectly affect future town financial actions.

If, after careful study by the board of finance and other town officers, it is determined that bonds should be issued to finance a capital project, several financial statements, reports, and records will be needed. These include:

1. A statement of redemption requirements of outstanding issues.
2. A record of the town's tax collections for the last several years, showing amounts and percentages.
3. An estimate of the town's annual budget for the next several years, with payments to be made to redeem bonds, as well as interest charges, included.
4. A statement of debt limitations affecting the town because of statutory provisions.
5. A comparison of past, present, and expected tax rates.
6. A short sketch of the town's growth - financial, physical and economic.

Much confusion can be avoided in issuing bonds if professional assistance is obtained at each step in the process. If the improvements are dependent upon engineering studies or knowledge, the advice of an experienced and qualified independent engineer or architect is a necessity. The reputation of the firm or person selected will increase or decrease the marketability of the bonds to be issued. Although many towns employ a town attorney who is entirely competent to handle most legal problems, few town attorneys have the specialized knowledge and prestige needed for the marketing of bonds. As soon as a town decides to issue bonds, it should employ an attorney who specializes in the legal aspects of municipal bonds.

Bond Sales. After the advice of an architect, engineer, and legal firm have been obtained, the town is ready to proceed with a bond sale. Here again, professional advice and handling will pay dividends. An investment house or bank specializing in municipal bonds should be consulted.

The proposed bond sale should be at the earliest possible date and announcement made to the greatest possible number of potential bidders. The exact day, date and time will have much to do with the interest rate. These details are the responsibility of the bank or authenticating agent.

FINANCIAL DISCLOSURE

As a result of financial difficulties of several municipalities in the United States, disclosure guidelines of state and local governments were developed by the Municipal Finance Officers Association of the United States and Canada. These guidelines were designed to provide information to investors in connection with the offerings of securities of state and local governments. These guidelines suggest material which the investor might consider important in making an informed investment decision. While not mandatory for cities and towns, the market place for state and municipal bonds will demand that these guidelines be followed. These guidelines are detailed in the 1976 document, *Disclosure Guidelines for Offerings of Securities by State and Local Governments,* published by the Municipal Finance Officers Association of the United States and Canada.

These guidelines recommend:

Section I.

An official statement of the municipality of the state which would include the following details:

(1) The total principal amount of the securities.

(2) The name of the issuer (with appropriate identification).

(3) The type or title of issue being offered (e.g., general obligation, water revenue, etc.).

(4) The date of the obligations, interest payment dates, and the date from which interest is paid.

(5) The denominations in which the securities are being offered.

(6) Registration and exchange provisions.

(7) Trusteee and paying agents.

(8) Redemption features, if any, including sinking fund provisions.

(9) Maturity date and principal amount by maturity in columnar form.

(10) A statement of the tax status of interest on the securities being offered.

Additional information sometimes set forth in the statement may include:

(11) Ratings by the various rating agencies.
(12) Designation of new issues.
(13) Brief statement of the authority for issuance.
(14) Anticipated date and place of delivery.
(15) Summary statement of the security or source of payment.

Section II - Introduction to the Guidelines

The purpose of the introduction to the official statement is to set forth, in summary form, the important portions of information with respect to the identification of the issuer; the statutory, constitutional or other basis pursuant to which the securities are being issued; the purposes for which the securities are being issued; and the security and source of payment for the securities. In addition, special circumstances that are of importance to the making of an informed investment decision and their possible consequences for investment risk should be described. The issuer should be briefly described as well as the project which is to be undertaken. The purpose for which the securities are issued should include a description of the application of proceeds, including the payment of costs of acquisition or construction; the making of deposits in debt service or capitalized interest funds; and the payment of costs incidental to the financing. The security and source of payment for the securities should be briefly described and reference to more specific information concerning such security and source of payment should be made. Appropriate references to more detailed information contained elsewhere in the official statement should be included.

Section III - The Securities Being Offered

Section IV - Description of Issuer and Enterprise

Section V - Debt Structure

Section VI - Financial Information

This would include general obligation debt, debt other than general obligation debt, full disclosure of accounting principles supporting the financial statements and supporting schedules to financial statements to provide the necessary detail to further disclosure of the financial position of the various funds.

Section VII - Legal Matters

This section would describe various legal proceedings which might materially affect the municipality's ability to perform its obligations to the bond holders, including the effects of the legal proceedings on the securities being offered. These guidelines are quite technical in nature and substance and towns issuing bonds of necessity must defer to attorneys who specialize

in the legal aspects of municipal bonds. Compliance with these guidelines will determine not only the interest rate the bonds will be sold at, but whether the bonds can be sold at all. Investors will demand that municipalities and states comply with these guidelines before bids will be submitted.

SHORT-TERM BORROWING

Tax Anticipation Borrowing. Borrowing in anticipation of taxes is no longer a regular occurrence as more towns adopt the uniform fiscal year. Tax anticipation borrowing may also be necessary where tax collections temporarily fail to meet expenditures. This type of borrowing can be reduced to a minimum or eliminated entirely by improved financial procedures. Changing the fiscal year so that taxes fall due at the beginning of the year not only eliminate regular tax anticipation borrowing but provides additional cash flow for investment purposes. Keeping expenditures well in line with actual cash receipts, accurate revenue estimating, and adequate budget allowances against delinquent taxes will minimize borrowing to meet current expenditures. Operating on such a cash flow basis not only eliminates the cost of short-term borrowing, but also frees the town from dependence on uncertain banking conditions and improve its general credit position. Cash operations require prompt and efficient collection of a major portion of each year's taxes within the fiscal year and prompt action against delinquencies, realistic revenue estimates, and budgeting of deficits in the next year's budget.

Emergency Borrowing. Unusual emergencies - natural disasters, an excessive amount of snow removal, an award of a judgment against the town, for example -may necessitate short-term borrowing. However, such borrowing should be limited to real emergencies and not become a regular substitute for honest budget-making.

Bond Anticipation Borrowing. Short-term borrowing in anticipation of the sale of a large bond issue is a means of providing a portion of the funds to begin a capital project. Bond anticipation borrowing may have the advantages of avoiding payment of interest on an entire bond issue until the full amount is needed, providing flexibility in selecting the date for a bond sale, and avoiding handling of idle funds. However, if the town has a program for investment of idle funds, proceeds from bonds sold in advance may be invested to advantage. Furthermore, the two-year limit on sale of bonds after bond anticipation notes are issued may in some instances actually restrict the date of a bond sale.

Connecticut municipalities are authorized to issue bond anticipation notes after issuance of general obligation bonds has been authorized. The term of bond anticipation notes is generally restricted to a two-year period (S.7-378). Section 7-378 allows towns to renew temporary bond anticipation notes for a period of not more than four years from the date of the original

notes if the legislative body of the town (1) authorizes appropriation of sufficient funds to pay the interest on bond anticipation notes and the portion of the principal which would have been paid if the bond issue had been sold within the first two years; (2) reduces the amount of the bond issue when sold by the amount of principal which would have been paid had the bonds been sold in the first two years and provides for payment of the principal in substantially equal installments beginning one year from the date of issue; and (3) reduces the maximum authorized term of the bonds when sold by not less than the number of months by which the date of issue exceeds two years from the date of the original notes. With these restrictions on the term of bond anticipation notes, Connecticut has avoided the most serious potential misuse of this type of borrowing, evasion of prompt debt retirement by continuing bond anticipation borrowing years after completion of the project.

Any town which has temporary notes outstanding in anticipation of the receipt of proceeds from the sale of bonds authorized by a sewer project which has a written commitment for a state or federal grant, but has not received its final grant payment within four years from the date of the original notes, may renew the notes from time to time in terms of no more than six months. However, the total amount of the note shall not exceed the amount of the grant commitment.

APPENDIX A

GLOSSARY OF TERMS

This glossary of terms includes the principal terms used in municipal accounting and budgeting and some terms which have a particular meaning for Connecticut municipalities. The definitions of general accounting terms are taken from *Governmental Accounting, Auditing, and Financial Reporting.*

Accounting system. The total structure of records and procedures which discover, record, classify, and report information on the financial position and operations of a governmental unit or any of its funds, balanced account groups, and organizational components.

Accrual basis of accounting. The basis of accounting under which revenues are recorded when earned and expenditures are recorded as soon as they result in liabilities for benefits received.

Activity. A specific line of work carried on by a governmental unit in order to perform its functions, for example street lighting is an activity under the function of streets and highways.

Agency fund. A fund consisting of resources received and held by the governmental unit as an agent for others; for example, taxes collected and held by a municipality for a school district.

Allotment. A portion of an appropriation which may be encumbered or expended during an allotment period.

Allotment period. A period of time, less than one fiscal year in length, during which an allotment is effective. Bi-monthly and quarterly allotment periods are common.

Annual audit (General audit). An audit, made at the close of a normal accounting period, which covers all of the funds and balanced account groups of a governmental unit.

Annual budget. A plan of proposed expenditures for operation of the municipal government for one year with proposed means of financing them including the capital projects to be undertaken during the year.

Annual budget meeting. The yearly town meeting at which the annual budget is adopted by towns conforming to the uniform fiscal year.

Annual town meeting. The yearly town meeting held on the first Monday in October at which the annual budget is adopted and other town business transacted. See **Annual budget meeting.**

Apportionment of expenditures. The procedure provided by Connecticut statutes whereby payment for a nonrecurring expenditure may be apportioned over a five-year period.

Appropriation. An authorization by the legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and as to time when it may be expended.

Appropriation ordinance or resolution. An ordinance or resolution by which appropriations are given legal effect. The means by which the expenditure side of the budget is enacted into law.

Assessment. (1) The process of making the official valuation of property for purposes of taxation. (2) The valuation placed upon property as the result of this process. See **Special Assessment.**

Assets. The entire property of a governmental unit.

Audit. The examination of documents, records, reports, systems of internal control, accounting and financial procedures, and other evidence for one or more of the following purposes: (a) to ascertain whether the statements prepared from the accounts present fairly the financial position and results of financial operations; (b) to determine the propriety, legality, and mathematical accuracy of governmental unit's financial transactions; (c) to ascertain whether all financial transactions have been properly recorded; and (d) to ascertain the stewardship of public officials who handle and are responsible for the financial resources of a governmental unit.

Audit report. The report prepared by an auditor covering the audit or investigation made by him. As a rule, the report should include: (a) a statement of the scope of the audit; (b) explanatory comments concerning exceptions by the auditor as to application of generally

accepted auditing standards; (c) opinions; (d) explanatory comments concerning verification procedures; (e) financial statements and schedules; and (f) sometimes statistical tables, supplementary comments, and recommendations.

Balance sheet. A statement which discloses the assets, liabilities, reserves, and equities of a fund or governmental unit at a specified date properly classified to exhibit financial position of the fund or unit at that date.

Bond. A written promise, generally under seal, to pay a specified sum of money, called the face value, at a fixed time in the future, called the maturity date together with periodic interest at a specified rate. The difference between a note and a bond is that a bond usually runs for a longer period of time and requires greater legal formality.

Bond anticipation notes. Short-term interest bearing notes of a municipality sold in anticipation of bonds to be issued at a later date. The notes are retired from the proceeds of the bond issue.

Bonded debt or indebtedness. That portion of indebtedness represented by outstanding bonds.

Books of original entry. The record in which the various transactions are formally recorded for the first time, such as the cash journal, check register or general journal.

Budget. A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them.

Budget calendar. A timetable for budget preparation setting out the specific dates on which phases of budget preparation should be completed.

Budget document. The instrument used by the budget-making authority to present a comprehensive financial program to the appropriating body.

Budget request. A request for a specific amount of money to perform a governmental function. Budget requests are submitted by department heads and other officials to the budget-making authority. Budget requests are submitted on standardized budget requests forms.

Budgetary accounts. Those accounts which reflect budget operations and condition, such as estimated revenues, appropriations, and encumbrances, as distinguished from proprietary accounts.

Capital budget. A specific program of expenditures for capital improvements to be undertaken in a given period and the proposed means of financing them. Period of time covered is usually six years. See **Budget and Annual operating budget.**

Capital improvement. The initial construction or acquisition of, and future additions to, the physical facilities needed by a governmental unit to render public services. Examples are: parks, parking lots, schools, public buildings.

Capital improvement program. The long-range program, covering a 20- to 25-year period, for constructing and acquiring the physical facilities needed by a governmental unit.

Cash basis of accounting. The system of accounting under which revenues are accounted for only when received in cash and expenditures are accounted for only when paid.

Character. As applied to an expenditure classification, character refers to significant groups of expenditures distinguished on the basis of the period they are presumed to benefit. The three principal classes are expenses, provision for debt retirement, and capital outlays - that is, expenditures for current, prior, or future fiscal periods. See **Activity, Expenses, Function,** and **Object.**

Classification of accounts. A list of accounts arranged in groups, each group referring to some particular phase of accounting information relative to the financial operations of the enterprise and its financial condition. Uniform classification of accounts refers to a standardization of accounts throughout a governmental unit and between governmental units.

Contingent fund. Assets or other resources set aside to provide for unforeseen expenditures, or for anticipated expenditures of uncertain amount.

Control account. An account in the general ledger in which are recorded the aggregate of debit and credit postings to a number of identical or related accounts called subsidiary accounts.

Data processing. (1) The preparation and handling of information and data from source media through prescribed procedures to obtain such end results as classification, problem solution, summarization, and reports. (2) Preparation and handling of financial information wholly or partially by mechanical or electronic means.

Debt. An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governmental units include bonds, time warrants, notes, and floating debt.

Debt limit. The maximum amount of gross or net debt which is legally permitted.

Double entry. A system of bookkeeping which requires for every entry made to the debit side of an account an entry for a corresponding account to the credit side of another account. Double-entry bookkeeping involves the maintaining of a balance between assets on the one hand and liabilities, reserves, and fund equities on the other.

Encumbrances. Obligations in the form of purchase orders, contracts, or salary commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. They cease to be encumbrances when paid or when the actual liability is set up.

Expenditures. Amounts paid or incurred for all purposes, including expenses, provision for retirement of debt, and capital outlays.

Expenses. Charges incurred, whether paid or unpaid, for operation, maintenance, interest, and other charges which are presumed to benefit the current fiscal period.

Fiscal period (Fiscal year). Any period, usually 12 months but not necessarily the calendar year, at the end of which a governmental unit determines its financial condition and the results of its operation and closes its books.

Fixed assets. Assets of a long-term character which are intended to continue to be held, or used, such as land, buildings, machinery, furniture, and other equipment. Does not indicate immobility of an asset, which is a distinctive feature of "fixture."

Fixed charges. Expenses, the amount of which is more or less stable. Examples are interest, insurance, contributions to a pension fund, or a nonrecurring expenditure which has been apportioned over a period of years.

Full faith and credit. A pledge of the general taxing power for the payment of debt obligations. General obligation bonds are said to pledge the full faith and credit of the governmental unit.

Function. A group of related activities aimed at accomplishing a major service or regulatory program for which a governmental unit is responsible, for example, public safety, public health, sanitation, streets and highways.

Fund. An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

General Fund. The fund used to account for all revenues and all activities not accounted for in another fund. The general fund is used to finance the ordinary operations of a governmental unit which are financed from taxes and other general revenues.

General ledger. A book, file, or other device which contains the accounts necessary to reflect in summary and in detail the financial position and the results of financial operations of a governmental unit.

General obligation bonds. Bonds for whose payment the full faith and credit of the issuing body are pledged. More commonly, but not necessarily, general obligation bonds are considered to be payable from taxes and other general revenues.

Grant (Grant-in-aid). A contribution by one governmental unit to another. The contribution may be made to aid in the support of a specified function, (for example, education) but sometimes also for general purposes.

Improvements. Buildings, other structures, and other attachments or annexations to land which are intended to remain so attached or annexed, such as sidewalks, trees, drives, tunnels, drains and sewers.

Independent auditor. An auditor who is independent of, outside of the control of, the executive head of the governmental unit being audited.

Inventory. A detailed list showing quantities, descriptions, and values of property and frequently also units of measurer and unit prices.

Journal. Any book of original entry.

Liabilities. Debt or other legal obligations arising out of transactions in the past which must be liquidated, renewed, or refunded at some future date.

Long-range financial plannning. The projection over a 20- to 25-year period of a program of

public services and capital improvements and the means of financing them.

Municipal reserve fund. A fund established under Connecticut statutes to provide for capital and nonrecurring expenditures.

Nonrecurring expenditures. Defined by Connecticut statute as an expenditure for which an appropriation was not made in any of the last three fiscal years and which if made in any one year would be so large as to be inconsistent with the public welfare.

Object. As used in an expenditure classification, this term applies to the article purchased or the service obtained; for example, personal services, contractual services, and materials and supplies. See **Activity, Character** and **Function.**

Obligations. Amounts which the governmental unit may be required legally to meet out of its resources. They include not only actual liabilities but also unliquidated encumbrances.

Operating statement. A statement summarizing the financial operations of a municipality for an accounting period as contrasted with a balance sheet which shows financial condition at a given moment of time.

Ordinance. A formal legislative enactment by the town meeting, council or other legislative body. If it is not in conflict with any higher form of law, an ordinance, within the municipal limits, has the binding force of a state law. The difference between an ordinance and a resolution is that a resolution requires less legal formality.

Pay-as-you-go basis. The basis upon which a governmental unit operates when it meets its expenditures or improvements, as well as current operations, from current revenues rather than borrowing.

Program budget. A budget wherein expenditures are based primarily on programs of work and secondarily on character and object.

Proprietary accounts. Those accounts which show actual financial condition and operations such as actual assets, liabilities, reserves, surplus, revenues, and expenditures, as distinguished from budgetary accounts.

Receipts. What is actually received. It indicates cash (from all sources) unless otherwise described.

Reserve. An account which records a portion of the fund balance which must be aggregated for some future use and which is, therefore, not available for further appropriation or expenditure.

Resolution. A special or temporary order of a legislative body; an order of a legislative body requiring less legal formality than an ordinance. See **Ordinance.**

Revenue bonds. Bonds the principal of and interest on which are to be paid exclusively from earnings of a public enterprise.

Serial bonds. Bond issues which are redeemable in reasonably equal installments, each of which is to be paid in full from revenues of the year in which it matures. All bonds sold by Connecticut municipalities must be serial bonds.

Shared state tax. A specific state-imposed tax shared with local governments in proportion, or substantially in proportion, to the amount of the tax collected or produced locally.

Sinking fund. A fund established by periodic contributions and the earnings thereon to provide for the retirement of the principal of term bonds, or other bonds specified to be retired from such funds.

Special assessment. A compulsory levy made by a local government against certain properties to defray part or all of the cost of a specific improvement or service which is presumed to be of general benefit to the public and of special benefit to the owners of such properties.

Special assessment bonds. Bonds payable from the proceeds of special assessments. They may be payable only from collections of special assessments or the full faith and credit of the municipality may be pledged in addition to special assessment revenue.

Special assessment fund. A fund set up to provide for the financing of improvements or services to be paid for wholly or in part from the proceeds of special assessments levied against the properties presumed to be benefited by such improvements or services.

Special fund. Any fund which must be devoted to some special use in accordance with specific regulations and restrictions. This term applies to all funds other than the General Fund.

Special revenue fund. A fund used to account for revenues from specific taxes or other

earmarked revenue sources which by law are designated to finance particular functions or activities of government.

Subsidiary account. One of a group of related accounts which support in detail the summaries recorded in a controlling account. For example, the individual taxpayers' accounts support the controlling accounts for taxes receivable.

Surplus (Fund balance). The excess of the assets of a fund over its liabilities and reserves except in the case of funds subject to budgetary accounting where, prior to the end of a fiscal period, it represents the excess of the fund's assets and estimated revenues for the period over its liabilities, reserves, and appropriations for the period.

Tax anticipation notes. Notes issued in anticipation of collection of taxes, usually retirable only from tax collections, and frequently only from the proceeds of the tax levy whose collection they anticipate.

Tax due date. The day or days of the year on which the annual property tax levy becomes due and payable.

Tax rate. The amount of tax stated in terms of a unit of the tax base, for example, 25 mills per dollar of assessed valuation.

Taxes. Compulsory charges levied by a governmental unit for the purpose of financing services performed for the common benefit. This term does not include specific charges made for current or permanent benefits such as special assessments nor does it include charges for services rendered only to those paying the charges such as sewer service charges.

Temporary loans. Short-term obligations representing amounts borrowed for short periods of time and usually evidenced by notes payable, or warrants payable. They may be secured by specific revenues to be collected. See **Tax anticipation notes.**

Trust funds. A fund consisting of resources received and held by the governmental unit as trustee to be expended or invested in accordance with the conditions of the trust.

Unappropriated surplus. Where the fund balance of the preceding year is included in the annual budget, the estimated fund balance at the end of the current fiscal period.

Uniform fiscal year. For Connecticut municipalities, the fiscal period July 1 - June 30 after a municipality has voted to conform to the uniform fiscal year law, Chapter 110 of the General Statutes.

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